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PROGRAMME PLANNING AND IMPLEMENTATION

Country, intercountry and global programmes

FIRST COUNTRY PROGRAMME FOR PALAU

Programme period	Resources	$
1993-1996	Net IPF	538 000
	Estimated cost-sharing	350 000
	Total	888 000

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I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Current socio-economic situation

1. Palau is a small archipelago situated in the western Pacific, about halfway between Guam and the Philippines, with 16,000 inhabitants on a total land mass of 334 square kilometres. Administered by the United States of America as a United Nations Trust Territory since 1947, Palau has benefited from United States federal grants and programmes. Currently intent on exercising its right to self-determination and independence, Palau is at a critical stage of its nation-building process. It needs to establish an effective development planning and management framework in order to lay the foundation for increased self-reliance. Important policy decisions have to be reached and a clear perspective on development directions defined in the light of the impending termination of the Trusteeship and the expected conclusion of a compact of free association with the United States.

2. The people of Palau enjoy a comparatively high standard of living, with an estimated gross domestic product (GDP) per capita of $5,689. The net annual population growth rate, estimated at 2.2 per cent, would be higher if a substantial number of Palauans did not migrate in search of education and work in nearby territories of the United States. Increased immigration of foreign workers in recent years is contributing to social and demographic problems. Urban drift and the prevailing migration patterns are responsible for the concentration of two thirds of the population in Koror, the capital state, which places heavy demands and strains on that state's physical infrastructure, social services and natural resources. Health conditions should be improved. The infant mortality rate is rather high at 27.4 per thousand live births, premature birth being the leading cause of infant deaths. Faulty nutrition due to over-reliance on imported food is a major cause of health problems in adults.

3. As in most Pacific island economies, development efforts in Palau are constrained by the lack of economies of scale and skilled manpower and by small domestic markets. The very small and open economy of Palau is largely supported by external funding. It is characterized by high levels of government and private consumption and by a great propensity to import. The service sector, consisting mainly of government services, trade and the hotel industry, dominates the economy, contributing 60 per cent of the GDP. The subsistence economy remains the main source of livelihood for 33 per cent of the population which resides in rural areas.

4. Palau has the potential for economic growth in the 1990s, mainly through the development of agriculture, fisheries and tourism. Owing to its unique natural marine environment, the country is particularly well suited to tourism. Given the fragility of the insular ecosystems of Palau, special care must be taken in order to promote environmentally sustainable economic growth.

B. National development objectives and strategies

5. The principal development goals of the government include economic growth through the establishment of adequate infrastructure, the development of education and human resources, institution-building, balanced rural and urban development, natural resources conservation and the preservation of cultural heritage and traditions. Private-sector development and foreign investment in the fisheries and tourism sectors are expected to provide the main impetus for economic growth. The government has also expressed its commitment to the promotion of development led by the private sector and to the protection of the environment.

II. EXTERNAL COOPERATION

A. Role of external cooperation

6. Palau is heavily dependent on external financing for its recurrent and development expenditures. Grants for government operations from the Department of the Interior of the United States amount to $15 million per year and constitute up to 70 per cent of the government's revenues. Additional grants are received from federal programmes in health, education, community services, agriculture and environment. Capital improvement funds, allocated by the Department of the Interior for specific projects in infrastructure development and rehabilitation totalled $16 million in 1991. Should Palau enter into a compact of free association with the United States, it would receive close to $190 million in the first year and a progressively smaller amount over a period of 15 years, averaging $25 million per year. In recent years, Japan has contributed close to $3 million a year for developing fisheries, improving the water system and providing academic scholarships for Palauan students. Australia and New Zealand are also sources of financial and technical cooperation.

7. Palau has a long-standing relationship with the United Nations and benefits from cooperation in the form of training and advisory services from UNDP, the United Nations Population Fund (UNFPA), the United Nations Children's Fund (UNICEF) and the World Health Organization (WHO). Regional organizations, such as the South Pacific Commission (SPC), the South Pacific Regional Environment Programme (SPREP) and the Forum Fisheries Agency (FFA), also provide assistance in the area of natural resource management and development.

B. Aid coordination arrangements

8. Assistance from bilateral and multilateral donors is channelled through the Office of the National Planner, whose present capacity to manage and coordinate external aid is limited and needs to be strengthened. There is also a need to diversify the sources of assistance.

III. THE COUNTRY PROGRAMME

A. Assessment of ongoing activity

9. The limited resources available from UNDP were utilized in the past to strengthen the planning structure of the national government through two successive institution-building projects, through which the first five-year development plan was prepared and statistical data compiled. The plan has, however, not been implemented owing to the lack of political consensus, which is essential in view of the complex relationship between the national government and the states. The absence of counterparts limited the transfer of skills needed to sustain the project activities. The design of the future project should be carefully assessed in order to make the most of every possibility for transfer of skills and capacity-building.

10. In the UNDP review of development planning in Pacific Island countries in 1991, it was recommended that the conventional approach to development planning, in which comprehensive medium-term plans are prepared, should be reconsidered. The government concurs with this recommendation and supports a strategic planning approach which focuses on policy formulation and priority-based public investment programming.

B. Proposals for UNDP cooperation

1. Preparatory process

11. The first country programme is the result of consultations between the government, the United States Department of the Interior, UNDP and other relevant United Nations bodies. Key documents such as those relating to the scope of work of the Palau master plan and the comprehensive conservation strategy for Palau and the economic overview of Palau prepared by the ESCAP Pacific Operation Centre and the Trust Territory reports were used to prepare the advisory note on which these consultations were based.

2. Strategy for UNDP cooperation

12. The very limited resources provided by UNDP have been allocated to addressing the government's top-priority need for development planning and management and to supporting the formation of a broad-based consensus on the direction of development, in which national capacity-building is emphasized. Specialized agencies will be drawn on for technical support through a combination of national and subregional programmes. Finally, in addressing its technical cooperation needs in this area, the government wishes to take advantage of the lead role played by UNDP in building the capacity for sustainable development, which was assigned to it following the United Nations Conference on Environment and Development (UNCED).

3. Proposed UNDP cooperation in selected areas of concentration

13. In response to the priority needs and concerns of Palau and in view of the possible change in its political status, the government envisages a country programme with two areas of concentration - development policy and strategy and sustainable resource management.

14. Development policy and strategy. UNDP technical cooperation would be called upon to strengthen the capacity to formulate and implement national development policies and strategies of three types. First of all, policies on management development in and the restructuring and revitalization of the public administration should be assessed and reformulated since national development efforts are hindered by the current lack of management expertise and appropriate institutional structure and by limitations on the capacity to formulate, assess and plan investment programmes. The formulation of clearly defined, long-term development strategies and the reorganization and strengthening of the public administration are required in order to achieve coordinated development planning and management.

15. The second priority activity in this area of concentration relates to the formulation of strategies for private-sector development and resource management. The development of fisheries resources and the preservation of the marine ecology for tourism purposes are priorities, and the government wishes to put together a comprehensive package of plans and policies for exploiting the archipelago's tourism and fisheries potential in a sustainable way. Both of these sectors will require private investment if full benefits are to be reaped from them.

16. The third targeted activity in this connection would be the development of an appropriate land-use policy and physical infrastructure. In view of the Territory's very fragile ecosystem and limited land surface, the government would require ecologically sound advice on future physical development. Special emphasis would be placed on the sustainable use of land resources in the spatial location of major development projects.

17. The government has opted to devote more than 70 per cent of the programmable resources derived from UNDP to the formulation and implementation of a national master development plan, with the Administering Authority joining in the funding and work involved. This exercise will provide an opportunity to formulate government policies in a number of strategic areas and to reach a consensus on development priorities and policies at state and national levels. It would draw upon the capabilities of local community-based non-governmental organizations (NGOs) to facilitate a participatory planning process. The master plan will contain an outline of substantive policy issues in the three key areas of activity mentioned above and will be used to determine priority development programmes and major investment decisions.

18. UNDP inputs will focus on the capacity-building aspects of the institutionalization of the planning process. In particular, the government's capacity to appraise projects in terms of their economic and financial viability and potential impact on the social texture and fragile environment must be strengthened in order to ensure the sustainability of Palau's anticipated development and the long-term well-being and quality of life of its citizens.

The government wishes to take advantage of UNDP technical cooperation in the form of advisory inputs on strategic issues. Additional resources could be provided by the government on a cost-sharing basis. Where appropriate, recourse would be had to the technical backstopping available through the proposed UNDP regional project on economic and financial reform.

19. With regard to impact, expectations are that by the end of the programme period, the government will have been provided with a framework in which to operate and with a set of policy guidelines in its pursuit of sustainable social, economic and physical development; a master plan, which will ensure the approval of private and public capital investment projects selected on the basis of objective criteria of economic and environmental viability, will have been completed, and the basic national capacity required to implement the plan will be in place.

20. Sustainable resource management. The government is committed to developing strategies for promoting sustainable development at the grass-roots level and wishes to draw on UNDP cooperation in support of ongoing programmes in this area. Accordingly, it proposes that the country programme help the local community to adopt sustainable development practices on the understanding that an effort would be made at government level to complement the very limited indicative planning figure (IPF) resources allocated to this activity. The ongoing family food production and nutrition project is designed to promote sustainable health and nutrition practices and reduce reliance on imported processed foods by strengthening NGO activities at the grass-roots level in the areas of poverty eradication and nutrition awareness. Under the country programme, this project will continue to supplement its activities by collaborating with the UNICEF regional family food and nutrition programme and with the WHO nutrition programme. The government will also draw on the UNDP Pacific subregional programmes on household food security and equitable and sustainable human development for additional technical and substantive support in this area. These concerted efforts, all in support of the national health and nutrition programmes, are expected to lead to a sustained improvement of the Territory's quality of life and standards of nutrition.

21. Palau is receiving substantial assistance from the United States in the area of environmental management. Thanks to federal funding, The Nature Conservancy is in the process of completing a major aerial photography exercise, which will be followed by a rapid ecological assessment. Additional inputs are being provided through the United States Forest and Soil Conservation Service and the Palau Environmental Quality Protection Board, which is funded by the United States. The proposed Palau Master Plan described above would also address major ecological and environmental issues by integrating environmental considerations into its planning and resource-management process and would provide for policies and procedures for land-resources management and development. Thus, a programmatic approach to these issues will be adopted by the government, and this is expected to result in a comprehensive set of action plans for environment and resource management, which can be implemented at the community level.

22. In addition, the government would seek complementary inputs from the Global Environmental Facility (GEF) for the conservation of bio-diversity and from the Capacity 21 fund and appropriate regional programmes to help it to adopt and

promote a national environmental agenda. Linkages with other regional projects, including those of other United Nations organizations, would also be established to assist the government in examining the interrelation between environment and population. The country programme would work with UNFPA in assessing the environmental and developmental implications of the country's population patterns and in formulating and implementing appropriate policies and action programmes. Gender-sensitive advice, taking into consideration the impact of demographic imbalances on women, would be provided through the UNFPA subregional programme on women, population and development.

C. Assistance outside main country programme areas

23. In addition to participating in the activities described above, the government will take advantage of a variety of technical advisory services and training opportunities available through UNDP subregional projects in fisheries, forestry, communications, energy, education and other specialized areas.

D. Implementation and management arrangements

24. The government advocates national project execution as a means of promoting self-reliance and will seek opportunities for further strengthening the national capacity for programme and project management through participation in regional workshops, such as the one held in October 1992. Consideration will be given to the possibility of national execution when the capacity for it has been adequately developed.

25. Possibilities for third-party and government cost-sharing modalities will be explored with a view to expanding the programme resources. Wherever appropriate, recourse will be had to the use of cost-effective inputs, such as United Nations Volunteers, the United Nations International Short-Term Advisory Resources (UNISTAR) and technical cooperation among developing countries.

26. Because the political status of Palau is likely to change within the country programme time-frame it is proposed that a mid-term review be scheduled in 1995. This would provide an opportunity for a thorough consideration of the implementation arrangements, further possibilities for cost-sharing and the advisability of expanding the programme.

Annex I

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

	($)	($)
Carry-over from fourth cycle IPF	236 000	
Fifth cycle IPF	327 000	
1992 expenditure	(25 000)	
Subtotal IPF		538 000
Project cost-sharing (Government)	-	
Project cost-sharing (third party)	350 000	
Programme cost-sharing	-	
Subtotal cost-sharing		350 000
Total		888 000

II. ALLOCATION OF RESOURCES BY AREA OF CONCENTRATION

	$			Percentage of total resources
Area of concentration	IPF	Cost-sharing	Total	
Development policy and strategy	350 000	350 000	700 000	79
Sustainable Resource Management	106 000	-	106 000	12
Subtotal	456 000	350 000	806 000	91
Unprogrammed reserve (IPF)	82 000	-	82 000	9
TOTAL	538 000	350 000	888 000	100

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III. ESTIMATED COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES

($)

A. UNDP-administered funds		
SPR	-	
UNCDF	-	
UNSO	-	
UNIFEM	-	
UNRFNRE	-	
UNFSTD	-	
TSS-1	-	
GEF	-	
Subtotal		-
B. Other United Nations resources		
JCGP participating agencies		
UNFPA	25 000	
UNICEF	89 000	
WFP	-	
IFAD	-	
Other United Nations agencies (non-UNDP financed)		
Subtotal		114 000
Total non-core and other United Nations resources		114 000
C. Non-United Nations resources		-
Total		114 000

Annex II

PROGRAMME MATRIX

Area of concentration	Area of focus					
	Poverty eradication and grass-roots participation	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
I. DEVELOPMENT POLICY AND STRATEGY	*	*	*			*
II. SUSTAINABLE RESOURCE MANAGEMENT	*	*		*		*